

## **Liaison of Human Capital investment with Corporate Financial Performance: an Empirical Study on Islamic Banks in Bangladesh**

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**Abstract:** *The main purpose of the study is to explore significance relationship between investment in human resources and corporate financial performance as well as perception of employees to their Banks. The study has used primary and secondary data. The primary data have been collected through structural questionnaire which is prepared in the light of objectives. The secondary data are collected only relevant to study such as net income, number of employees working in the organizations, total investment in human resources, and per capita income etc for exploring the relationship between investment in human resources and corporate financial performance during the period of 2011- 2014. This study revealed that human resources have made substantial contribution in achieving financial goal of Islamic Banks in Bangladesh. The study experienced that Islamic Banks came into existence in an environment where the laws, institutions training & attitude are set to serve an economy based on the principles of interest. The study also found that 96% employees are agree & strongly agree about standard Payment & job securities of Islamic Banks comparative to other Banks. The study seems to carry an enormous academic value since a few studies have been undertaken in this area. It may be helpful to the owners of Islamic Banks, Academic researchers and national policy makers who have been making Endeavour to the development of Islamic Banks as well as Bangladesh Economy as a whole.*

**Key Words:** *Human Resource investment, financial performance, Islamic Banks.*

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### **I. Introduction**

Human capital is an essential element in any organization. Corporate Efficiency, productivity and financial performance depend upon on the human capital. The organization must hire the right persons who can translate the organizational opportunities into productivity that would influence the corporate financial performance. Organizational capability relates to hiring and retaining competent employees and developing competencies through effective human resource management practices (Ulrich and Lake 1991). Indeed, developing a talented workforce is essential to sustainable competitive advantage (Kundu and Vora 2004). Human resource measurement is about valuing the contribution people make to the success of an organization, and the term 'human capital' describes the contribution made by human skills and knowledge to the production of goods and services (Becker, 1993). Moore (2007) suggests that the value of human capital should be more fully considered when making decisions about the acquisition and disposal of people But the monetary value assumption of accounting does not allow reporting value of organization employees in organization's financial report because value of human capital is difficult to measure in monetary value. Human capital explains how to deal with it to increase its efficiency and its impact on performance. The cost to companies resulting from the investment in fixed assets, research and development expenses, training and rehabilitation of human resources and the amount of the efficiency of the size of investment in these resources, which is reflected in the financial performance and intellectual capital can be including the elements of structural, human and the physical capital (Andreessen, 2004). Physical capital (capital employed) can be defined as total capital, which is used to finance fixed assets for companies and this includes equity capital for shareholders plus loan capital based on long-term liabilities, but structural capital, reflect the company's ability to support human resources through infrastructure and databases that help human resources to perform its functions efficiently and effectively such as buildings, hardware, software of information system (Lev, 2001). But the human capital is expressed as all the skills, experience and qualifications of personnel and that can be offered to companies also includes human resource capacity to solve problems that relate to the company in an optimal way which requires the continuous development of human and adopt ways to keep him and persuade him to job description for the job loyalty of employees, where if verify job loyalty for workers in their companies, it may reflect in an advanced stage concept of creativity administrative and financial (Firer & Williams, 2003). Previous Studies show that investment in human resources improves a company's performance, but this investment requires time and cost (Gong et al, 2009). On the other hand, operations of

human capital increase productivity in several ways: First, performance improvement due to better managerial decisions, which is an exclusive capital for a company. Second, Increment of innovation by increment of quality and training the personnel in R&D department (Ballot et al, 2001; Dimov & Shepherd, 2005). However, studies show that payments to human resource are important in two reasons: First, it comprises an important part of company's payments (Widener, 2009). Second, these payments are part of bonus of human forces that motivate them (Milkovich & Newman, 2002; Balkcom et al, 1997; Vancil, 1979). Therefore, it is expected that these payments improve performance in organizations. Literature in this area is scanty in numbers and partial in content. Existing literatures indicate that a few partial studies have been conducted, but exploring the relationship between Investment in Human Resources and corporate financial performance in Islamic Banks of Bangladesh are not studied comprehensively as a whole. It is necessary to conduct a study to examine the relationship between investment in human capital and financial performance of Islamic Banks in Bangladesh because human resource in Islamic Banks serve a number of worthy economic functions that are largely unique from other business organization.

## II. Literature Review

Some studies have dealt with the concept of intellectual capital (IC), or one of its components with the corporate financial performance and market value or share price and the following is a review of some of the studies:

**Alshubiri (2012)** analyzed the relationship between human capital investment and corporate financial performance of 11 Industrial sectors listed in Amman stock exchange from 2005 to 2011 where he used various financial performance indicators like, EPS, ROE, DPS, and he concluded that there were a high degree positive relationship between Human capital investment and corporate financial performance. The study recommends industrial companies should strengthen and stimulate the concept of human capital and need for developing administrative innovation program.

**Zohreh et al. (2011)**, conducted an empirical study of relationship among human capital value and profitability and market value in a sample of 60 companies from 8 industries which are listed in Tehran stock exchange from 2005 to 2009, they used multivariate regression model and panel least square method. The result showed that there is a significant relationship between Human capital values and market value but no significant relation with profitability.

**Obara, et al. (2013)**, analyzed the human capital investment and corporate profitability, where they concluded that, the study revealed that the positive and significant relationship between the variables and they suggest the company to increase their disclosure level regarding Human capital information in their financial statement.

**Gen and Saleh (2008)** carried research into intellectual capital and company's performance in Malaysia. They drew on correlation and regression. The results showed that companies continued to rely much on their physical capital, and the efficacy of intellectual capital is still the main effective variable in the profitability of a firm whereas human resource is of great important in the improvement and increase in its productivity .Finally, the results showed that the value of intellectual capital could account for the profitability and productivity of a firm but it couldn't explain the market value.

**Ifurueze,et al. (2014)** analyzed the relationship between the impact of aggregated cost of Human resources and profitability they used regression model and concluded that there is a positive relationship between the variables and also states that changes in profitability can be explained when the expenditure on human resource are segregated into revenue expenditure and capital expenditure. The study recommends amongst other, that BETA NIG PLC should imbibe the culture of capitalizing and reporting all investment on human resource that improve the quality and productivity.

**Sajedeh Hasannez hadneisi, Saeed Mazraeh (2013)** studied regarding the relationship between intellectual capital and profitability in Tehran stock exchange, the findings of the research showed that there is a positive significant relationship between the intellectual property and the equity. The results also suggest a positive, significant relationship between the intellectual capital and the rate of asset yield.

**Firer and Williams (2003)** analyzed the IC where the results of the study indicated a statistically significant effect between IC and financial performance, which is associated with the following financial ratios: return on assets, return on equity and the market value of the book.

**Bozbura (2004)** suggests that the HC skills and expertise possessed by the company and which can be used in solving administrative problems in addition to the risks associated with it.

**Wang and Chang (2005)** suggest there a statistically significant effect of the elements of IC and financial performance so that was the human capital to the greatest impact of other elements.

**Salman et al. (2012)** presents a statistically significant relationship between the elements of the components of IC and the performance of companies where the relationship was strong element of HC more of them than the other variables of the components of IC.

### **III. Objectives of the study**

The main objective of the study is to explore the relationship between Investment in Human Resource and Financial Performance of Islamic banks in Bangladesh. The specific objectives of the study are as follows:

- To highlight the human resource structure of Islamic banks in Bangladesh.
- To examine the relationship between investment in human resource and financial performance of Islamic banks in Bangladesh.
- To identify the problems involved in human resource management that hinders the financial performance of Islamic banks.
- To identify the perceptions of employees to their banks.

### **IV. Methodology of the study**

#### **Sources of Data:**

The study used both primary data and secondary data, Primary data collected through opinion survey to evaluate whether there is a relationship between Human Resource Investment and Corporate Financial Performance. The secondary data collected from various Islamic Banks website & annual reports.

#### **Primary Data:**

Primary data have been collected through questionnaire survey among the Assistant Vice President, Manager, AGM, and Senior Executive Officers of various Islamic Banks.

#### **Preparation of Questionnaire:**

The questionnaire has been prepared based on the relevant literature of the study. Some expert opinion has been taken in preparing the questionnaire.

### **V. Methods of Data Collection**

Both primary and secondary data have been used in this study. Data for the study were collected through structured questionnaire from the respondents of the selected Islamic banks. Data has been collected through direct interview method. So there is very low percentage of failure in collecting data. Secondary data have been collected from the annual report of the Islamic bank published on their website.

**Sample Size:** There are 8 Islamic banks operating in Bangladesh. Among those, the study considers 7 Islamic banks.

**Sample Selection:** The sample of this study is the Islamic banks of Bangladesh. Among the 8 Islamic Banks in Bangladesh the following 7 companies have been selected for the study.

1. Shahjalal Islami Bank Ltd.
2. Islami Bank Bangladesh Ltd.
3. First Security Islami Bank Ltd.
4. Al-Arafah Islami Bank Ltd.
5. ICB Islamic Bank Ltd.
6. Social Islami Bank Ltd.
7. EXIM Bank Ltd.

### **VI. Analysis**

#### **5.1 Human Resource Investment**

The table contains the information about the Islamic Banks investment in the considered years.

Islamic Banks now a day's investing high amount in Human Resource for better financial performance in their organization.

**Table 5.1: Human Resource Investment (million taka)**

Name of Banks	2011	2012	2013	2014	Total	Mean	Rank
<b>SJIBL</b>	1739.18	1464.39	1071.59	878.62	5153.78	1288.44	4
<b>IBBL</b>	8284.32	7707.15	6140.8	4800.62	26932.89	6733.223	1
<b>FSIBL</b>	1440	1241.09	898.01	622.47	4201	1050.25	6
<b>AIBL</b>	2049.77	1643.76	1390.87	919.37	5994.77	1498.693	3
<b>ICB</b>	249.02	275.71	289.81	278.05	1092.59	273.1475	7
<b>SIBL</b>	1692.1	1534.04	1102.96	972.3	5301.4	1325.35	5
<b>EXIM</b>	1884.51	1540.49	1420.57	1930.6	4845.57	1775.19	2

From the table it can be understood that Islamic Bank Bangladesh limited (IBBL) invested highest amount for their Human resources comparative to other Islamic Banks. It is also observed that EXIM Bank, Al-Arafah Islamic Bank, Shahjalal Islami Bank, Social Islami Bank chronologically hold their position in terms of investment on Human Resources.

### 5.2 Return on Human Capital on sample banks

The study made an attempt to measure the profitability of each unit of expenditure for human resources. This measures the investment in human resource of sample banks that increases the profitability of the firm or not. The human resources are fundamental capital for the services.

**Table 5.2: Return on Human Capital of sample banks**

Banks	2011	2012	2013	2014	Total	Mean	Rank
Shajalal Islamic Bank Ltd	1.36	1.61	0.89	0.43	4.29	1.07	4
Islami Bank Bangladesh Ltd	1.01	0.90	0.64	0.48	3.03	0.76	5
First Security Islami Bank Ltd	0.93	0.85	0.62	0.45	2.85	0.71	6
Al-Arafah Islami Bank Ltd	2.42	1.40	1.39	1.13	6.34	1.59	1
ICB Islamic Bank Ltd	(6.46)	(3.66)	(2.47)	(1.15)	(13.74)	(3.44)	7
Social Islamic Bank Ltd	1.39	1.31	0.80	1.13	4.63	1.16	3
EXIM Bank Ltd	1.41	1.40	1.02	1.09	4.93	1.23	2

The higher return on human capital investment denotes the management efficient of human capital. It can be observed that the Islamic banks have invested huge money for their human resources. The study was made an attempt to examine the net income of each unit of investment for human capital. Al-Arafah Islami Bank has achieved the highest return on human capital investment which is ranked as one. EXIM bank has achieved 2<sup>nd</sup> highest return on human capital investment. Social Islami bank has done better for achieving the return on human capital investment which is ranked as third position. Shahjalal Islami Bank has achieved the 4<sup>th</sup> highest return on human capital investment. Though Islami Bank Bangladesh Ltd has the highest net income among the Islamic banks in Bangladesh but it has achieved 5<sup>th</sup> earning position on human capital investment. First Security Islami Bank Ltd has made performance on earning of human capital investment which is ranked as sixth position in the sample banks. But ICB Islamic bank has showed poor performance on earning of human capital investment because its net income was highly negative. Finally we can conclude that Al-Arafah Islamic Bank and EXIM Bank have efficient management to utilize their manpower in Productive purpose.

### 5.3 Per Capita Income of Human Capital Investment

The study investigates the average income of the employees in a company. The per capita income is measured total income divided by the employee structure of the banks. Per capita income is often used to measure the wealth of the employees.

**Table 5.3: Per Capita Income of Human Capital Investment (million taka)**

Banks	2011	2012	2013	2014	Total	Mean	Rank
Shajalal Islamic Bank Ltd	1.47	1.88	1.10	0.36	4.81	1.2	4
Islami Bank Bangladesh Ltd	0.9	1.00	0.88	0.79	3.57	0.89	5
First Security Islami Bank Ltd	0.91	0.72	0.65	0.56	2.84	0.71	6
Al-Arafah Islami Bank Ltd	2.18	1.87	1.83	1.69	7.57	1.89	1
ICB Islamic Bank Ltd	(2.61)	(1.53)	(1.03)	(0.46)	(5.63)	(1.41)	7
Social Islamic Bank Ltd	0.92	1.1	1.12	1.72	4.86	1.22	3
EXIM Bank Ltd	2.02	1.93	1.46		5.41	1.8	2

The study made an attempt to examine the net worth of per employee in Islamic banking sector. Al-Arafah Islami Bank Ltd achieved highest return from employees and average per capita income is 1.89 million taka. The study found that EXIM Bank Ltd achieved 2<sup>nd</sup> highest position and there average per capita income is 1.8 million taka. Social Islami Bank Ltd and Shahjalal Islami Bank Ltd have earned 3<sup>rd</sup> and 4<sup>th</sup> position and their average per capita income is 1.22 and 1.2 million taka respectively. Though Islami Bank Bangladesh Ltd has the highest employee structure but their average per capita income is 0.89 million taka and they achieved the 5<sup>th</sup>

position as well as First Security Islami Bank Ltd secured 6<sup>th</sup> position and their average net worth of per employee is 0.71 million taka. Finally ICB Islamic Bank ltd has the lowest employee structure and there per capita income was negative during 2011 to 2014, so their average per capita income is (-1.41) million taka.

#### 5.4 Per Capita Operating Income of Human Capital Investment

The study investigates the mean operating income of the employees in a company. The per capita operating income is measured net operating income divided by the employee structure of the banks.

**Table 5.4: Per Capita Operating Income of Human Capital Investment**

Banks	2011	2012	2013	2014	Total	Mean	Rank
Shajalal Islamic Bank Ltd	1.85	2.36	1.24	1.08	6.53	1.63	4
Islami Bank Bangladesh ltd	1.11	0.30	1.13	1.16	3.7	0.93	6
First Security Islami Bank ltd	1.18	0.93	0.86	0.83	3.8	0.95	5
Al-Arafah Islami Bank ltd	2.02	2.09	1.77	2.15	8.03	2.01	1
ICB Islamic Bank ltd	0.04	0.09	(0.40)	(0.35)	(0.62)	(0.16)	7
Social Islamic Bank ltd	1.95	2.07	1.61	2.06	7.69	1.92	2
EXIM Bank ltd	2.29	2.79	2.21		7.29	1.82	3

From above information it is observed that in case of per- capita operating income on human resource investment ,Al-Arafah Islami Bank Ltd achieved the highest return from employees and average per capita operating income is 2.01 million taka. Social Islami bank ltd has achieved the 2<sup>nd</sup> highest position and their average per capita operating income is 1.92 million taka. EXIM Bank ltd and Shahjalal Islami Bank ltd have earned 3<sup>rd</sup> and 4<sup>th</sup> position and their average per capita income is 1.82 and 1.63 million taka respectively. First Security Islami Bank ltd is in the 5<sup>th</sup> position and their average net worth of per employee is 0.95 million taka. Though Islami Bank Bangladesh ltd has a large number of net operating income and employees but their average per capita income is 0.93 million taka and they achieved the 6<sup>th</sup> position. Finally ICB Islamic bank ltd are in unsound financial position from 2011-2014 and they are in the 7<sup>th</sup> position by earning average per capita operating income amounting to (0.16) million taka.

#### 5.5 Human Resource Structure of Sample banks

Lado and Wilson (1994) define a human resource system “. . . as a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources.” The study investigates the human capital structure of sample banks. This measure is taken to examine the employees’ turnover and growth of manpower in the sample banks.

**Table 5.5: Human Resource Structure with growth rate of sample Islamic banks**

BANKS	2011	2012	2013	2014	Mean	Rank
SJIBL	1624	1881	2173	2145	1955.75	4
Growth Rate	Base	15.83%	15.52%	(1.29%)	10.02%	3
IBBL	11500	12068	12520	13249	12334.25	1
Growth Rate	Base	4.94%	3.75%	5.82%	4.84%	5
FSIBL	1342	2090	2367	2673	2118	3
Growth Rate	Base	55.74%	13.25%	12.93%	27.31%	1
AIBL	1807	2110	2387	2649	2238.25	2
Growth Rate	Base	16.77%	13.13%	10.98%	13.63%	2
ICB	686	688	656	617	661.75	7
Growth Rate	Base	0.29%	(4.65%)	(5.95%)	(3.44%)	7
SIBL	1695	1750	1802	1923	1792.5	6
Growth Rate	Base	3.24%	2.97%	6.71%	4.31%	6
EXIM	1724	1909	2229	2020	1970.5	5
Growth Rate	Base	10.73%	16.76%	(.093)%	9.13%	4

The study made an attempt to examine the human resource structure and manpower turnover of the sample banks. IBBL has the highest number of employees in the sample banks (12343.25) and manpower turnover is (4.84%). AIBL has the 2<sup>nd</sup> highest number of employees (2238.25) and manpower turnover is higher. The study also finds that FSIBL has 3<sup>rd</sup> highest number of employees but it has the highest employee’s growth rate which is (27.31%). SJIBL has also 4<sup>th</sup> highest number of employees (1955.75) and growth rate of is stable. EXIM bank has the 5<sup>th</sup> highest number of employees (1954) and growth rate is much higher than others (13.75%). SIBL has 6<sup>th</sup> highest number of employees and growth rate is also stable. ICB Islamic bank has 7<sup>th</sup> highest of number of employees (661.75) and lowest growth rate is (-3.44%).

#### 5.6 Per Capita Investment on Human Resource and Return on Assets (ROA)

Human resource is the most precious asset and delicate factor of production. Each organization manages its activities with the support of human resource which includes top level managers, mid-level, supervisors and other employees. The overall performance of any organization depends upon the extent to which human resource is effectively utilized. Stressing the importance of people in organization, Khera (1999) opined that today when most business houses are passionate with Total Quality Management (TQM) in order to stay ahead of competition, very few organizations realize that their most precious assets are their employees. The study investigates the investment in human resources that increases in return on total assets or not.

**Table 5.6: per capita investment on Human Resource and Return on Assets (ROA)**

Years	2011		2012		2013		2014		Mean	
Sample	PCI	ROA	PCI	ROA	PCI	ROA	PCI	ROA	PCI	ROA
SJIBL	0.81	0.59%	0.67	1.02%	0.57	1.44%	0.54	1.26%	0.65	1.08%
IBBL	0.63	0.61%	0.62	0.90%	0.51	1.27%	0.42	1.35%	0.55	1.03%
FSIBL	0.54	0.35%	0.52	0.53%	0.43	0.59%	0.46	0.64%	0.49	0.52%
AIBL	0.77	1.1%	0.69	1.31%	0.66	1.3%	0.5	2.06%	0.66	1.44%
ICB	0.4	(2.04%)	0.42	(4.76%)	0.42	(7.02%)	0.41	(9.79%)	0.41	(5.9%)
SIBL	0.88	1.24%	0.85	0.96%	0.63	0.8%	0.57	0.75%	0.73	0.94%
EXIM	0.85	1.06%	0.81	1.45%	0.82	1.65%			0.83	1.39%

The table indicates the relationship between investment in human capital and return on total assets. The total investment in human capital of SJIBL 0.65 and return on total assets 1.08 were average value from 2011 to 2014. Total average investment in human capital of IBBL 0.55 and return on Assets 1.03% were from 2011 to 2014. The average investment in human capital and return on total asset of FSIBL were 0.49 and 0.52% from 2011 to 2014. The average investment in human capital of AIBL is 0.66 and return on assets of this company is 0.1.44%. The average investment in human capital and return on asset of ICB Islamic bank ltd are 0.41 and (5.9%). The average investment in human capital and return on assets of SIBL and EXIM bank ltd are (0.73, 0.94%) and (0.83 and 1.39%) from 2011 to 2014 respectively.

**6. Perception of Human Resource about the Problems of Islamic banking in Bangladesh** The primary data were analyzed to identify the problems in human capital of Islamic Banks of Bangladesh. Descriptive Statistics have been used to carry out the data analysis. However, the major findings of the study and their analyses have been summarized as below:

**6.1 Demographic Profile of the Respondent**

In the questionnaire, there was a section concerning respondents’ profile to get a general idea about the respondents’ age, education, designation, as various factors might also influence their perception. A profile of respondents’ is presented in the following table.

**Table 7.1: Demographic Information of the of the Respondent**

N =25		Frequency	Percentage
Gender	Male	23	92%
	Female	2	8%
Age	Below -30	1	4%
	30-45	12	48%
	45-60	12	48%
Working Status	AVP & Manager	7	28%
	Senior Exec. Off.	17	68%
	Junior Officer	1	4%
Working experience	Below-05 years	04	16%
	Below-10 years	13	52%
	Above 10 years	08	32%
Education	Graduation		0%
	Post graduation	25	100%

**Source: Field investigation**

This table describes the characteristics of respondents who provided information regarding investment human capital and financial performance in Islamic Banks of Bangladesh. The purpose of the study depends on the ability of respondents how they are sincere, awareness, and academically sound in this regards. Table 1: indicates that 92 percent of the respondents’ were male and 8 percent were female in the study. Out of the total respondents, 4 percent of the respondents’ were between 25 and 30, 48 percent of respondents’ were between 30 and 45 and 48 percent of respondents’ were between 45 and 60 years range. 40 percent of respondents’ were single. While married accounted for 60 percent. A large number of percentages (28%) were executive level

followed, (68%) were top executive and junior officers were only 4 percent. The table also revealed that all of the employees are highly educated.

### 6.2 Perception of Human Resource about the Problems of Islamic banking in Bangladesh

Islamic Banking in Bangladesh was started from 1983; it indicates a very new flavor in banking areas. Though the performance of Islamic Banks are outstanding relative to other conventional Banks but Islamic banking in Bangladesh are facing some mentionable problems. The study made an attempt to investigate the problems of Islamic banks that hinders economic growth of Bangladesh. The study has traced out a number of problems from the survey of questionnaire which are found as follows:

**Table 6.2: Problems of Islamic banks**

Code of HRM ↓ Weight →	1	2	3	4	5	Total	Mean	Rank
	5	4	3	2	1			
Blending of approach of Islamic Scholars' with the approach of Conventional Bankers.				15	10	40	1.6	7
The need for professional Bankers or managers for Islamic Banks cannot be over emphasized.	1		2	15	7	48	1.92	4
Unfamiliarity of mass people with Islamic Banking system	1	1	3	13	7	51	2.04	3
Lack of proficiency in technology & suitable long term asset	1		4	10	10	47	1.88	5
Shortage of supportive & link institutions.			4	15	6	48	1.92	4
Absence of liquidity instruments		4		15	6	52	2.08	2
Islamic Banks came into existence in an environment where the laws, institutions training & attitude are set to serve an economy based on the principles of interest.		5	3	12	5	53	2.12	1
The problem of forward contract/booking of foreign currency.		2	3	11	9	48	1.92	4
Lack of Islamic Money market.		2	3	10	10	47	1.88	5
Lack of positive response to the requirements of Government financing.		1	2	10	12	42	1.68	6
Lack of portfolio management		1		19	5	47	1.68	6
Total						523	100%	

**Source: Field Survey.**

This table indicates the current human resources' response that hinders the financial performance of Islamic banks in Bangladesh. The study experienced that Islamic Banks came into existence in an environment where the laws, institutions training & attitude are set to serve an economy based on the principles of interest is the main problem ranked as 01. The study also identified the lack of liquidity instruments based on the response of respondent which was ranked as 02. The study identified that Unfamiliarity of mass people with Islamic Banking system as a third problem of Islamic banking. Lack of professional Bankers or managers for Islamic Banks, Shortage of supportive & link institutions & the problem of forward contract/booking of foreign currency are the important problems of Islamic Banking for expanding their business worldwide. The study also identified another important problem that the Islamic banks have Lack of proficiency in technology & suitable long term asset that impede workforce in the mind of employees which were ranked as 05. The better employees were not motivated to show their performance in the jobs. Also lack of Islamic money market and low morality of employees were noticed in Islamic banks and those were ranked in 05. Lack of positive response to the requirements of Government financing & portfolio management towards company was noticed because of raising intense competition in the market which was identified problem as 06. Blending of approach of Islamic Scholars' with the approach of Conventional Bankers reached in considerable worthy which were ranked as number of 07.

### 6.3 Perception of Human resources of Islamic banks about the Company

In today's dynamic and ever changing environment the job satisfaction has emerged as the important aspect for motivating employees towards the organizational goals and objectives. This issue has also been identified as one of the most important issues in any organization especially, in Islamic banks.

**Table 6.3: Perception of human resources (Analysis of Job satisfaction)**

Code of Employees Perception	1	2	3	4	5	Total	Mean	Rank
	Weight →							
	5	4	3	2	1			
Providing better working condition with good company policy	7	16	2			105	4.2	5
Allowing sick and maternity leave	5	15	4		1	98	3.92	7
Adequacy for fringe benefits	3	12	4	6		87	3.48	11
Providing housing and accommodation	8	11	2	3	1	96	3.84	8
Provision for safety measure	6	15	2	2		100	4	6
Compensation for any accidents	4	9	8	1	3	85	3.4	12
Providing medical facility	8	12	3	1	1	100	4	6
Providing training & development facilities	9	14	2			107	4.28	3
Providing welfare facilities	4	12	5	3	1	90	3.6	10
Providing transport facilities	4	11	7	3		91	3.64	9
Payment & job security	15	9	1			114	4.56	1
Establishing promotion policy based on performance	9	13	2	1		105	4.2	5
Providing retirement benefits	10	12	2	1		106	4.24	4
Providing incentive bonus	12	12	1			111	4.44	2
Total						1366	100%	

**Source: Field Survey.**

The organizational commitment, workability, sincerity and honesty depend on human resources. These factors are related to job satisfaction and perception of employees about their companies. The maximum employees opined that Islamic banking sectors are giving standard level of Payment & job security which is ranked as 01. Most of employees opined that they are given better incentive bonus which is ranked as 02. A significant number of respondents opined that the Islamic banks are providing good training and development facilities which is ranked 03. Retirement benefits are also given to employees, which are ranked as 04. Establishing promotion policy based on performance is also maintained in Islamic banks and it was ranked as 05. Medical facilities and provision for safety measure are also rendered to employees who are ranked as 06. A good number of respondents opined that sample companies Allowing sick and maternity leave which is ranked as no 07. A number of employees expressed that housing facilities should be increased which was ranked as 08. A good number of Islamic banks are not giving much transport facilities, welfare facilities, arrangement of employees' recreation, child care facilities etc which were ranked as 09, 10, and 11 respectively. Most of the employees expressed that compensation for any accident is not given which was ranked as 12. The absence of mentioned facilities increases job dissatisfaction for their employees.

**Table 6.4: Perception of human resources (Analysis of Additional Job satisfaction)**

Particulars	Agree	Neutral	Disagree	Total	Mean
Getting casual leave	24		1	75	3
Customer's feedback	24		1	75	3
Remuneration satisfaction	20	3	2	68	2.72

The table describes the additional satisfaction of employees in sample Islamic banks. The study shows that employees are satisfied by getting casual leave and customer's feedback. But their remuneration against their workload is not satisfied by all employees.

### VII. Summary of Findings

The followings are the summary of the findings from the analysis of the study:

- Al-Arafah Islami Bank Ltd has the highest Return on Human Capital. The next on the ranks are EXIM Bank Ltd, Social Islami Bank Ltd, Shahjalal Islami Bank Ltd. From the analysis we find that Return on Human Capital is highly related with investment in Human Resource. The higher Human Resource Investment on a particular bank, the higher it's Return on Human Capital. Though Islami Bank Ltd has a huge investment on their Human Resource but also has a high Human Resource structure. ICB Islamic Bank Ltd is in the last position.
- Al- Arafah Islami Bank Ltd has the highest Per Capita Income. That means it has the highest Average Income. EXIM Bank Ltd, Social Islami Bank Ltd and Shahjalal Islami Bank Ltd are the next in the rank of Per Capita Income.



- Al- Arafah Islami Bank Ltd has the highest Per Capita Operating Income. It indicates it has the highest Per Average operating Income. Social Islami Bank Ltd, EXIM Bank Ltd and Shahjalal Islami Bank Ltd are the next in the rank of Per Capita operating Income.
- We see that Islami Bank Ltd has the highest Human Resource Structure follows by AIBL, FSIBL, SJIBL, EXIM BANK LTD, SIBL. We can see that in case of Return on Human Capital, Per Capita Income, and Per Capita Operating Income they are in the reverse order. Which only indicate that they don't have the right person in right place which is lacking of investment in HR because of that they have low Return on Human Capital, Per Capita Income, and Per Capita Operating Income?
- The study experienced that Islamic Banks came into existence in an environment where the laws, institutions training & attitude are set to serve an economy based on the principles of interest is the main problem ranked as 01.
- According to the perception of employee it is observed that employees are highly satisfied about the Payment & job securities of Islamic Banks.

### VIII. Conclusion of the Study

Human resource has made significant contribution to the development of Islamic Banks in Bangladesh. The main objective of the study is to investigate the relationship between human capital and financial performance of Islamic Banks. The study identifies some variables of human capital to measure the financial performance including return on human capital, per capita income and per capita operating income. Islamic Banks of Bangladesh should invest more on hiring educated and professional people to enhance the corporate financial performance. From the study it can be observed that Investment in Human Resource enhances the Corporate Financial Performance. Although Islamic Banking in Bangladesh are going on in an environment where the laws, institutions training & attitude are set to serve an economy based on the principles of interest but Islamic Banking providing substantial contribution to the economy of Bangladesh as well as employees are highly satisfied about the Payment & job securities of Islamic Banks.

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